

**Economic Impact Statement**

LSA Document #10-123

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses****1. Description of the Rule**

The rules update requirements governing the production, transportation, processing, and sale of milk and milk products in [345 IAC 8](#), including updating the Pasteurized Milk Ordinance and other standards that are incorporated by reference. The rules change the bacteria count standard for manufacturing grade raw milk from 1,000,000 bacteria per milliliter to 500,000 per milliliter and change the somatic cell count standard for manufacturing grade raw milk from 1,000,000 bacteria per milliliter to 750,000 per milliliter for all milk other than goat milk, which will be changed to 1,500,000.

**2. Description of Affected Industry**

The Indiana State Board of Animal Health (BOAH) permits 1,625 dairy farms, 32 dairy plants, and 685 entities related to the transportation of dairy products. Many of these businesses are small businesses.

**3. Reporting, Record Keeping, and Other Administrative Costs**

Small dairy farm, dairy plant, and dairy transportation businesses are currently required to comply with the dairy rules. The proposed changes will impose requirements on small businesses but will not substantially increase the reporting, record keeping, or other administrative costs associated with the rules compared to the current requirements.

**4. Estimated Total Annual Economic Impact on Small Businesses**

The BOAH does not anticipate increased costs to small businesses as a result of adopting the updated PMO standards as compared to the current PMO standards.

Most manufacturing grade producers already meet the lower bacterial and somatic cell count standards proposed by this rule. The lower standards may be met by using equipment and sanitation practices and procedures that are common and usual on dairy farms throughout the country.

**5. Justification for Costs**

Indiana law requires the BOAH to adopt rules to establish standards for Grade A milk and milk products that are at least as effective in protecting public health as the standards adopted by the National Conference on Interstate Milk Shipments (NCIMS) in accordance with the national conference's memorandum of understanding with the United States Food and Drug Administration. [IC 15-18-1-14](#). The NCIMS standards are published in the Pasteurized Milk Ordinance (PMO). BOAH adopts the PMO standards. The NCIMS recently published a 2009 revision of the PMO. The proposed rules adopt the 2009 edition of the PMO.

The United States Department of Agriculture Agricultural Marketing Service publishes recommended requirements for the production of milk for manufacturing purposes. These standards are utilized by many states for the regulation of manufacturing grade raw milk and by companies and governments to establish purchasing specifications for manufacturing grade raw milk. The BOAH utilizes the USDA standards to set state standards for the production of manufacturing grade raw milk. The current BOAH rule allows for 1,000,000 bacteria per milliliter of raw milk, and the USDA standard is 500,000 per milliliter. The current BOAH rule sets a somatic cell count standard for manufacturing grade raw milk of 1,000,000 bacteria per milliliter, and the USDA standard is 750,000 per milliliter for all milk other than goat milk. The current USDA standard for goat milk is 1,500,000. The proposed rule changes the BOAH rule to match the USDA standards.

**6. Regulatory Flexibility Analysis**

- a. BOAH is required by law to maintain equivalency with the NCIMS PMO; therefore, BOAH sees no viable alternatives to updating matters that incorporate PMO standards. [IC 15-18-1-14](#).
- b. BOAH considered not changing the manufacturing grade raw milk standards or changing them to something different than the USDA standards. BOAH decided that:
  - i. The public health benefits of the recommended USDA standards for manufacturing grade raw milk outweigh any costs that may be incurred.
  - ii. There is a benefit to the Indiana market as a whole from having a standard that is consistent with the USDA recommendations and, therefore, consistent with other states' standards.

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